California State Senate

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ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

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GLENDA HIGGINS
ROSE MORRIS

(916) 651-4103
FAX (916) 323-8386

Agenda
May 29, 2008
Room 4203
10:00 a.m. or Upon Adjournment of Session

Human Services

Vote-Only Agenda

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

5175 Department of Child Support Services

Program Description	Comments
Vote-Only Issue 1 - Continue Suspension of Health Insurance Incentives and Improved Performance Incentives Programs The Governor's Budget proposes trailer bill language to continue the suspension of two programs, the Health Insurance Incentives and the Improved Performance Incentives programs, through 2008-09, resulting in an estimated General Fund savings of $4.3 million.	Subcommittee #3 adopted the trailer bill language at its March 24, 2008 hearing. Subsequent to that action, the Assembly Budget Subcommittee #1 adopted the trailer bill language, but extended the suspension for four years through 2011-12. **Staff Recommendation: Approve additional trailer bill language to extend the suspension for four years through 2011-12 to conform to the Assembly action.**

Program Description	Comments
Vote-Only Issue 2 – Caseload Adjustments in Various Programs The Legislative Analyst's Office (LAO) has updated caseload information for 2008-09 for the following programs: California Work Opportunity and Responsibility to Kids (CalWORKs) – Increased cost of $80 million due to caseload growth of 2 percent (versus the Administration's May Revise estimate of flat growth). This is the Administration's preliminary estimate of additional cost associated with the higher caseload. Stage 1 Child Care – Decreased cost of $20 million due to caseload declines between January and March that the Administration was not able to include in its May Revise caseload assumptions. In-Home Supportive Services (IHSS) – Increased cost of $20 million due to caseload growth of 6.1 percent (versus the Administration's May Revise estimate of 4.8 percent growth) Cash Assistance Program for Immigrants (CAPI) – Decreased cost of $2.6 million based on most recent caseload data that the Administration was not able to include in its May Revise caseload assumptions.	The differences in the LAO caseload estimates and the Administration's May Revision caseload estimates reflect the point in time in which the estimates are prepared. The LAO has more recent data. The Department of Social Services (DSS) concurs with the caseload and cost updates contained in this issue. **Staff Recommendation: Adopt the revised caseload and costs adjustments for the CalWORKs, Stage 1 Child Care, IHSS, and CAPI programs.**

Program Description	Comments
Vote-Only Issue 3 – CalWORKs – Repeal the Temporary Assistance Program (TAP) The Administration proposes trailer bill language to repeal the TAP. AB 1808 (Chapter 75, Statutes of 2006) established TAP as a non-MOE state-funded program that would provide CalWORKs-level grants and supportive services to CalWORKs clients who are exempt under state law from work participation requirements. AB 1808 established April 1, 2007, as the implementation date for TAP, but allowed DSS to request an extension of the implementation date with a letter to the Joint Legislative Budget Committee (JLBC). On January 19, 2007, DSS notified the JLBC that TAP implementation will be indefinitely delayed due to federal child support distribution rules and their effect on CalWORKs benefits. In response to the delayed implementation, DSS proposed trailer bill language that would have delayed implementation indefinitely. The Legislature responded instead by delaying implementation until April 1, 2009.	The intent of TAP is to move California's exempt clients out of the federal work participation rate calculation while still ensuring that these families receive benefits and have access to services to assist them in obtaining work in the future. Although the implementation of TAP alone will not result in California meeting its federal work participation rate (WPR), it is a critical step toward improving the state's caseload reduction credit and WPR, and avoiding federal penalties. Implementation of TAP is expected to increase California's caseload reduction credit (CRC) by five percent. Although the problems with implementation of TAP are beyond the control of DSS and probably cannot be resolved until the State's single child support automated system is fully up and running, it is unclear why TAP should be eliminated. The child support automated system should be fully functional by November 2008, at which time DSS and the Department of Child Support Services can begin to address TAP implementation issues. **Staff Recommendation: Reject the elimination of the TAP program and revise the current statutory language to delay implementation from April 1, 2009 to April 1, 2010.**

Program Description	Comments
Vote-Only Issue 4 – CalWORKs – Child Care The May Revision includes two changes related to CalWORKs child care: 1. Regional Market Rate (RMR) – The Administration proposes to implement the RMR in January 2009, but limit reimbursement rates to the 75th percentile (down from the 85th percentile) for a net savings of $19.4 million ($139,000 General Fund). 2. Child Care Holdback – The Administration proposes to decrease the holdback from $46.5 million to $29.7 million to reflect the removal of Stage 2 child care, which the May Revision proposes to fund through Proposition 98 rather than TANF.	1. Current law limits the maximum reimbursement for alternative payment programs to the 93rd percentile, but the reimbursement is limited to the 85th percentile in the annual Budget Act. Federal law requires the Department of Education to conduct surveys to reflect increases in local market rates at least every two years. Federal guidance suggests that reimbursement rates be established at least at the 75th percentile of the market to be regarded as providing equal access to child care. This proposal would adopt the rates identified in the 2007 Regional Market Rate survey in January 2009, based on the 75th percentile of the market. The Administration contends that limiting the reimbursement rates to the 75th percentile would significantly reduce costs while maintaining access to child care. 2. The holdback equals 5 percent of TANF child care funding, and is available for unanticipated child care needs for which TANF block grant funds are appropriated. **Staff Recommendation: Conform to actions to be taken in committee when these issues are heard with other child care issues in education.**

Program Description	Comments
Vote-Only Issue 5 – CalWORKs – Requests for DSS Resources The Administration requests the following funding and positions for DSS related to the CalWORKs Program: 1. $687,000 in federal funds and six, three-year limited-term positions to hold regular performance outcome measurement meetings with the counties to highlight best practices and identify obstacles to performance, and conduct county peer/state reviews to assist counties in improving work participation rates and implementation of the CalWORKs program. 2. $2.3 million in federal funds and 20 positions to support data collection for federal work participation in each county, including verification of data and reporting procedures, and to perform oversight and field monitoring of county procedures and case documentation for verification of recipient participation hours at the county level. These positions are intended to improve monitoring and measurement of the performance of counties to meet new federal data quality assurance mandates. 3. $102,000 in federal funds and one, two-year limited-term position to implement Assembly Bill (AB) 98 (Chapter 589, Statutes of 2007), a bill that establishes a CalWORKs subsidized employment program.	1. These positions were requested, but rejected last year. The Assembly has already rejected this position request for 2008-09. 2. These positions were requested, but rejected last year. The LAO has worked with DSS to streamline the workload and request and believes that reduced resources of $1.6 million in federal funds and 14 positions would be sufficient. Given the fiscal risks involved with not performing these activities, the LAO recommends approval of the lower amount. 3. The position requested would be responsible for the gathering of data and production of the report required by AB 98. The Assembly has already rejected this position request for 2008-09. **Staff Recommendation:** 1. **Reject the requested funding and positions.** 2. **Approve $1.15 million in federal funds and 10 positions for 2008-09 and beyond. DSS should submit another BCP for 2009-10 if additional resources are needed for these activities.** 3. **Given the fiscal situation and consistent with previous actions not to provide resources to implement new programs, reject the requested funding and position.**

Program Description	Comments
Vote-Only Issue 6 – CalWORKs – Mailing Costs The May Revision requests $174,000 ($21,000 General Fund) for one-time mailing costs associated with informing all CalWORKs recipients of the proposed Graduated Full-Family Sanctions, Modified Safety Net, and Making Consistent Other Child-Only Benefits. DSS indicates that they will develop an interagency agreement with the Employment Development Department to complete this mailing.	It is not clear whether the costs of this mailing would increase to inform CalWORKs recipients of the additional proposals made by the Administration as part of the May Revision, although presumably, notification of all changes could be accomplished with one letter. In addition, the estimated postage costs do not reflect the last two postage increases. Informing clients of program changes are a normal cost of doing business and should be absorbed within current resources. **Staff Recommendation: Reject the requested funding.**

Program Description	Comments
Vote-Only Issue 7 – IHSS Reduction of Hours. The May Revision proposes to rescind the $336.6 million ($109.4 million General Fund) reduction proposed in January, related to decreasing non-medical domestic and related services hours in IHSS by 18 percent effective July 1, 2008.	As part of the budget balancing reductions (BBRs) proposed for the Special Session, the Administration proposed to reduce non-medical domestic and related services hours in IHSS by 18 percent, effective July 1, 2008. Hours in the domestic services, meal preparation, meal clean-up, laundry, food shopping, and shopping errands categories were proposed for reduction. The cuts would have resulted in an average reduction of 6.6 hours per client per month and total estimated savings of $336.6 million ($109.4 million General Fund). The proposed reduction to IHSS hours was heard by the Senate Committee on Budget and Fiscal Review on January 30, 2008, and was not adopted during the special session. As was discussed during the January 30 hearing, it is highly doubtful that the level of savings estimated by the Administration as a result of their proposal would materialize. This is because there would have remained the ability for IHSS recipients to appeal the reduction in hours and to request reassessments, which would have led to the restoration of hours. This led to the Administration rescinding this proposal in the May Revision. **Staff Recommendation: Approve the May Revision proposal to rescind the IHSS reduction of hours BBR.**

Program Description	Comments
Vote-Only Issue 8 – IHSS Quality Assurance. The May Revision includes the following proposals related to IHSS Quality Assurance: It proposes to rescind trailer bill language proposed in January, which would have eliminated the existing statutory quality assurance requirements for DSS in the IHSS Quality Assurance (QA) Program. It requests $1.7 million ($836,000 General Fund) to make 16 exising limited-term positions that will expire on June 30, 2008 permanent. These positions are related to continuing to administer and monitor the IHSS QA program. It requests $439,000 ($220,000 General Fund), to make five positions permanent that are currently limited-term. These positions are responsible for the implementation, administration, and monitoring of the IHSS Plus Waiver (IPW).	The original proposal to eliminate the state IHSS QA requirements and to provide permanent resources to implement the IPW were discussed in Subcommittee #3 on April 21, 2008. The DSS was provided IPW positions on a limited-term basis beginning in 2004-05 when the State's waiver was approved. Although the current IPW expires on July 31, 2009, DSS believes that the State will continue to receive the waiver. Therefore, they argue that conversion of these limited-term positions is justified. However, the proposed elimination of the IHSS QA requirements appeared to violate the State's agreement with the federal CMS and jeopardize continued approval of the IPW and receipt of associated federal funding. **Staff Recommendation: Approve the May Revision proposal to rescind the trailer bill language eliminating the IHSS QA program; approve the request for $1.7 million ($836,000 General Fund) and 16 positions to continue administration of the IHSS QA program; and approve $439,000 ($222,000 General Fund) and five positions for implementing the IPW.**

Program Description	Comments
Vote-Only Issue 9 – 10 Percent Reduction to IHSS Administration. The May Revision continues to include a $24.4 million ($10.2 million General Fund) reduction to administrative funding for counties for the IHSS Program. This is approximately a 10 percent reduction. There is also trailer bill language proposed that would extend the reassessment period from 12 to 18 months, which is intended to reduce the counties' IHSS administrative workload. Under current law, counties may extend the reassessment period on a case-by-case basis under specified, documented conditions. The proposed change is intended to reduce the counties' IHSS administrative workload. IHSS administration funds are used by counties for the workers who perform IHSS assessments and reassessments.	There is significant concern that the proposed statutory changes will not result in the estimated savings. As the LAO notes in their analysis, just the passage of more time between assessments may lead to more requests by recipients for reassessments, as recipients may experience changes in their conditions. Furthermore, although the proposed trailer bill language makes the extension from 12 to 18 months for reassessments mandatory, it does not eliminate or scale back the conditions that must exist and be documented for the 18-month extension to be granted. The County Welfare Directors Association (CWDA) indicates that counties that use the 18 month extension permitted under current law already do so for the majority of IHSS recipients who meet the specified criteria. There are also some counties that do not even bother with the 18-month extension allowed under current law because the documentation required to provide the extension is too burdensome. For those counties, it is less work to do the reassessment every 12 months. Therefore, making the 18-month reassessment period mandatory without removing the specified conditions will either not result in additional administrative savings, because any savings have already been achieved with the current law, or will actually result in increased costs for counties who currently choose not to use the 18-month extension, because they will have to incur the administrative costs to document that the required conditions exist. **Staff Recommendation: Reject the proposed cut and trailer bill language.**

Program Description	Comments
Vote-Only Issue 10 – Suspension of the October 2008 and June 2009 State Supplemental Program (SSP) Cost-of-Living Adjustment (COLA). The May Revision continues the Administration's proposals to eliminate the 2008 and 2009 SSP COLAs for a General Fund savings of $235.4 million. Of this total, $198.3 million is associated with eliminating the October 2008 SSP COLA, and $37.1 million is associated with eliminating the June 2009 SSP COLA. Trailer bill language is provided to implement the proposed reductions. During the Special Session, the Legislature and the Governor took action to delay implementation of the 2008 COLA from June to October 2008.	The LAO estimates that the savings associated with the proposal to suspend the June 2009 COLA is overstated by about $14 million. This is because the LAO's estimate of the CPI is greater than that of the Administration (4.25 percent versus 2.7 percent), which will result in greater federal participation than assuming in the May Revision. This difference is a result of the point in time at which the May Revision is prepared and the later data that the LAO has to build their estimate. If the 2008 and 2009 SSP COLAs are provided, the maximum SSI/SSP grant level would increase by $37 per month for individuals and $75 per month for couples. **Staff Recommendation: Adopt the suspension of the October 2008 SSP COLA. Reject the suspension of the June 2009 COLA.**

Program Description	Comments

California Work Opportunity and Responsibility to Kids (CalWORKs)

CalWORKs – Graduated Full Family Sanctions. The May Revision continues to include the Administration's proposal to impose a graduated full family sanction at a net cost of $19.0 million. Trailer bill language is provided to implement the proposed change. Under current law, when an adult fails to meet CalWORKs requirements, the family's grant is reduced by the amount attributable to the adult, but cash aid continues to the children in the family (called a partial family sanction). Under the Administration's proposal, when an adult remains in partial family sanction status for a cumulative total of six months, the child-only grant would be reduced by 50 percent and the entire grant (both the adult and child-only portions) would be eliminated after an adult does not comply with CalWORKs requirements for a second accumulated total for six months. The change would be effective October 1, 2008, and would result in a cost because it assumes sanctioned cases would begin working as a result of the change. The Administration also estimates California's work participation rate (WPR) will increase by 2.00 percent in federal fiscal year (FFY) 2009, 5.6 percent in FFY 2010, and 5.7 percent annually thereafter. The proposed trailer bill language "strongly encourages" counties to contact noncompliant cases by phone, letters or home visits prior to imposing the sanctions, but does not provide any additional funds for these activities.	Last year, the Governor proposed a full family sanction, whereby a family's entire grant would be eliminated for those families with an adult who does not comply with CalWORKs requirements for more than 90 days. This proposal was rejected by the Legislature. The Administration estimates that 60 percent of sanction cases will cure their sanction as a result of the graduated full family sanction proposal. This would still result in an estimated 22,000 families experiencing the full family sanction, which represents about 44,000 children. The Administration further estimates that 6,100 families experiencing the full-family sanction would subsequently comply with program requirements and return to aid within six months. Notwithstanding the cure rate estimated by the Administration, it is important to note that not all of these families will cure their sanction by meeting the federal work participation requirements (WPR). In fact, only about 28 percent of sanctioned cases are estimated to do so. The larger impact on the WPR is actually from families experiencing the full-family sanction and leaving aid. There is no evidence from the research that stronger fiscal sanctions correlate with increased employment.

Program Description	Comments
CalWORKs – Modified Safety Net. The May Revision continues to include the Administration's proposal to restrict safety net grants only to children whose parents work sufficient hours to meet federal work participation requirements after timing-out, resulting in a savings of $181.5 million. Trailer bill language is provided to implement the proposed change. Under current law, CalWORKs adult recipients are limited to 60 cumulative months of cash assistance, but children continue to receive cash aid as long as the family meets CalWORKs eligibility guidelines, regardless of how many hours their parents work after "timing-out." Under the Administration's proposal, families currently on the safety net would be given 90 days to increase their work hours to federal requirements to remain eligible or be removed from aid. This change would be effective October 2008. The Administration estimates California's WPR will increase by 5.1 percent annually beginning in FFY 2009. This proposal was made by the Governor and rejected by the Legislature last year. In contrast to last year's proposal, however, families who meet the federal work participation requirements within six months of being removed from aid could rejoin the safety net if they meet the recipient income limits (rather than the applicant income limits, which are lower).	The Administration estimates that about 33,000 families would be removed from the CalWORKs safety net, which represents approximately 67,000 children. About 26 percent of safety net families are estimated to work sufficient hours to maintain eligibility for the safety net. As with the graduated full-family sanction proposal, the larger impact to the federal WPR is from families leaving aid. There is no existing research demonstrating a correlation between the elimination of safety net benefits and increased work participation. Based on a survey of CalWORKs leavers conducted by the Welfare Policy Research Program (WPRP), almost half (47 percent) are already employed and 24 percent are meeting federal work requirements. It is not known how far from meeting federal work requirements the other 23 percent are. Learning more about why these people are not working enough to meet the federal work participation requirements and crafting policies to assist them in doing so, might be a more reasonable approach to increasing work participation without harming children. In their February budget analysis, the LAO proposed an alternative safety net proposal whereby every adult would be required to work in non-subsidized employment for 20 hours per week, participate for sufficient hours to meet federal work participation requirements, or accept subsidized employment or community services for 20 hours per week. Adults who refuse would be removed from aid. Before removal from aid, there would be a mandated home visit. After three months of community service, each client would be required to participate in a job search program. If after a year of community service/job search cycles, the adult was still not in an unsubsidized job, the county would have the option to exempt the adult and continue aiding the children.

Program Description	Comments
CalWORKs – Make Consistent Other Child-Only Benefits. The May Revision continues to propose the elimination of grants to children whose parents are not eligible for CalWORKs after 60 months, resulting in a savings of $172.7 million. Trailer bill language is provided to implement the proposed change. Under current law, California provides CalWORKs grants to children whose parents are not eligible for CalWORKs, including US citizen children of undocumented immigrants, children of drug felons, and children of fleeing felons. These grants to children are not subject to a time limit and continue until the children are age 18. Under the Administration's proposal, these families would be removed from aid after five years. This change would take effect October 2008. There is no impact on California's WPR because these families are not included in the federal calculation.	This proposal was made by the Governor and rejected by the Legislature last year. As a result of this proposal, an estimated 37,000 families would be removed from CalWORKs, which represents approximately 70,000 children. This proposal is designed to save funding in CalWORKs, as it has no impact on the WPR.

Program Description	Comments
CalWORKs – Work Incentive Nutritional Supplement (WINS) The May Revision continues to propose providing additional support in the form of a supplemental food stamp benefit to eligible working families, for a cost of $8.4 million in 2008-09, rising to $18.6 million in 2009-10, and $24 million in 2010-11 and annually thereafter. Trailer bill language is provided to implement the proposed change. Working families who are receiving Food Stamps, but not receiving CalWORKs assistance would be eligible for WINS if they work sufficient hours to meet federal work participation requirements. The benefit would be a flat $40 per month per household. The 2008-09 costs of the WINS proposal would be for necessary automation changes to enable the benefit to be applied to recipients' electronic benefit cards. The benefits would be provided beginning July 2009.	The Administration estimates that California's WPR would increase by 11.94 percent in federal fiscal year (FFY) 2010 and 9.54 percent in 2011. This is because the proposal would add additional working families to the CalWORKs caseload who could be counted toward the WPR (versus putting existing CalWORKs recipients to work). However, in order to maximize the work participation benefit of this proposal, there would need to be a corresponding proposal that includes eligibility changes that would offset the caseload increase resulting from WINS. The Administration's graduated full-family sanction proposal is an example of such an eligibility change, as is its pre-assistance proposal (discussed on page 14 of this agenda). The LAO believes that the WINS proposal is a cost-effective way of raising work participation and includes the program in their alternative package of CalWORKs changes.

Program Description	Comments
CalWORKs – Pre-Assistance Employment Readiness System (PAERS) The May Revision includes a proposal to establish a Pre-Assistance Employment Readiness Program as a mandated precursor to receiving CalWORKs assistance. This proposal would be essentially cost neutral, as the estimated grant savings would be offset by increases in child care and other support services. Trailer bill language is provided to implement the proposed change. Current federal TANF law allows states to offer up to four months of non-recurrent, short-term benefits that are designed to deal with a specific crisis situation or episode of need and are not intended to meet recurrent or ongoing needs. The Administration's PAERS would be required for CalWORKs applicants who would benefit from four months of services and would either obtain employment and not need public assistance, or be more able to meet work participation requirements once in CalWORKs. Payments under PAERS would be conditioned on satisfactory participation in job preparedness and supportive services. In order to move to CalWORKs and continue receiving aid, families would be required to work enough to meet federal work participation requirements or sign the welfare-to-work plan (unless they can establish that they are exempt or have good cause under current law for nonparticipation). This proposal would take effect October 1, 2008. The Administration estimates California's WPR will increase by 0.73 percent in FFY 2009, and 0.30 percent in FFY 2010 and annually thereafter.	The intent of PAERS is to improve the work participation rate by more directly focusing clients on quickly obtaining employment or establishing a self-sufficiency plan that will lead to employment. Another advantage is that it delays entry into the federal WPR calculation for those unable to find employment. As proposed by the Administration, at the end of the four month pre-assistance period, families who either are not working enough hours to meet the federal WPR or do not sign a welfare-to-work plan would be totally ineligible for assistance under CalWORKs. Also, families who do not comply with participation requirements during PAERS are also removed from PAERS and cannot be eligible for CalWORKs. These full-family sanctions are stricter than current CalWORKs law for noncompliant families. In addition, the proposed trailer bill language breaks the benefits under PAERS into four monthly payments conditioned on satisfactory participation in required activities. There is no additional administrative funding included in the budget for counties to do this monthly participation tracking in PAERS activities. The LAO included a similar PAERS proposal in their alternative package of CalWORKs changes. Their proposal would not impose full-family sanctions on PAERS recipients who are noncompliant during the PAERS period, but would condition eligibility for CalWORKs on obtaining sufficient employment or signing a welfare-to-work plan. On May 19, 2008, the federal Administration for Children and Families released a program instruction that may render the proposed PAERS program and other alternatives under consideration as ineligible for approval as a pre-assistance program.

Program Description	Comments
CalWORKs – Self-Sufficiency Reviews The May Revision proposes to require CalWORKs recipients who are not meeting work participation requirements to attend an in-person meeting with a county worker every six months as a condition of ongoing CalWORK eligibility. This proposal would result in net savings of $59.7 million. Trailer bill language is provided to implement the proposed change. Under current law, all CalWORKs recipients are required to undergo an annual redetermination of eligibility for benefits. This annual redetermination does not have to be done in person. Under the Administration's proposal, the semi-annual self-sufficiency review would apply to any case not meeting work participation requirements, including child-only cases not subject to federal participation requirements. Failure to show up for the in-person meeting would result in termination of benefits for the family. This proposal would take effect October 1, 2008. The Administration estimates California's WPR will increase by 1.07 percent in FFY 2009, and 1.18 percent in FFY 2010 and annually thereafter.	According to the Administration, the goal of the in-person self-sufficiency review is to assess what services or resources may be necessary to address barriers that are preventing participation and help remove a family's dependence on public assistance. However, the Administration only assumes that each meeting will last an average of 15 minutes, which is not likely to be enough time to identify and figure out how to address barriers to participation. The Administration argues that the 15 minutes is on top of the time already being spent on the annual redeterminations. However, in many counties, the annual redeterminations are performed by eligibility workers, who are generally not qualified to assess barriers to employment and appropriate supportive services. Those activities are usually performed by welfare-to-work workers. The Administration assumes that five percent of cases, an estimated 14,800 families, will be discontinued from aid for failing to comply. This leads to the grant savings and is what increases the WPR. Of note is that the Administration's estimates do not include additional costs associated with child care or other supportive services resulting from the self-sufficiency reviews, suggesting that reviews will not lead to increased participation through work. The LAO recommends in their alternative CalWORKs package that self-sufficiency reviews be limited to cases with adults who need to increase their work participation rates and child-only cases where there is a work-eligible adult, such as sanctioned cases. They also recommend increasing the time of the reviews to allow for more intensive reviews.

Program Description	Comments
CalWORKs – Reduce Grant Levels by Five Percent The May Revision proposes to cut CalWORKs grants by five percent for a savings of $108.2 million. Trailer bill language is provided to implement the proposed change. This proposal would take effect October 1, 2008. The Administration estimates that California's WPR will drop by 3.94 percent annually beginning in FFY 2009 as a result of this proposal. The rate drops because an estimated 13,400 families would lose aid (because their income would be too high).	Under this proposal, the grant for a family of three would drop by $36 per month, from $723 to $687 (although, as noted by the LAO, the increase in Food Stamps partially offsets the proposed reduction). This proposal is directly counter to other proposals by the Administration, such as WINS, designed to increase California's WPR. In fact, the loss to the WPR of this proposal is greater than the estimated gain to the WPR resulting from the Graduated Full-Family Sanction, the Self-Sufficiency Review, and the PAERS proposals combined in FFY 2009. This proposal is intended solely to reduce CalWORKs costs to offset increasing costs due to increasing CalWORKs caseload and eroded savings from the Governor's CalWORKs proposals in January, while still maintaining the savings achieved through the Administration's other CalWORKs proposals.

Program Description	Comments
CalWORKs – Suspend the 2008 COLA The May Revision proposes to suspend the 2008 CalWORKs COLA as of October 1, 2008, for savings of $121.5 million. During the Special Session, the Legislature and the Governor already took action to delay implementation of the 2008 COLA from July to October 2008. Trailer bill language is provided to implement the proposed change. The 2008 COLA is based on the California Necessities Index of 3.7 percent. Implementation of the 2008 COLA would have increased the grant level for a family of three by $38 per month, from $723 to $761.	There are alternatives to the COLA to increase the amount of funding provided to CalWORKs recipients that would also provide an incentive for recipients to work. In their alternative CalWORKs package, the LAO recommends modifying the earned income disregard. Under current law, the first $225 of earned income and 50 percent of each additional dollar earned is not counted for purposes of determining a family's grant amount. The LAO proposes to provide $300 and 50 percent for those meeting federal work requirements, but just 50 percent for those not meeting the requirements. They estimate this approach would result in net savings of $15 million in 2008-09 and $30 million annually. Changing the disregard in this way would have several impacts. It would provide a greater reward for work and therefore, provide an incentive for individuals to increase their work hours. This proposal increases the disregard, so those who do work sufficient hours would keep more of their income. It would increase the exit point for CalWORKs because people could earn more and stay on aid, which will increase the caseload; but those at the higher earning levels are generally working enough to meet federal requirements and they would help our WPR. Conversely, it would result in those who do not meet federal participation requirements being able to keep less of their earnings than they do under current law. Also, for those who are exempt and cannot work, not providing the COLA is a hardship. Options to mitigate potential negative effects changing the disregard as proposed by the LAO would be to grandfather in current recipients at the disregard under current law and apply the new disregard to new applicants only, or continue with the lower $225 disregard for all recipients, but only increase it once the federal requirements are met. Exempt recipients only could be provided the COLA, but the existing automation systems would likely need to be modified to handle tracking different grant levels for exempts and non-exempts.

Program Description	Comments
CalWORKs – TANF/General Fund Swaps The May Revision proposes to exchange $447.4 million in federal TANF funds for General Fund that is currently expended in the following TANF-qualifying programs: > CalGrants – $223 million > Juvenile Probation – $151.8 million > Emergency Assistance Foster Care – $50.4 million > Increased Title XX Transfer to the Department of Developmental Services – $22.2 million Due to a combination of the February 2008 Final TANF Regulations and the understanding the certain California Department of Education child care expenditures are already being used to match federal No Child Left Behind Act funds, the amount of California's MOE is reduced by about $438 million. The Administration states that these swaps are necessary to allow California to continue to meet federal Maintenance of Effort (MOE) requirements without increasing overall state General Fund expenditures.	In the 2005 and 2006 Budget Acts, the Legislature rejected proposals to use TANF funds to supplant General Fund in Juvenile Probation, Foster Care, and Child Welfare Services, as is now being proposed. This was done to maintain TANF/MOE funding for the CalWORKs program. Between 1998-99 and 2007-08, the CalWORKs program has contributed to over $11 billion in General Fund savings. Notwithstanding California's recently reduced MOE, these transfers are only needed if the Legislature determines it wants to approve the Administration's proposals to remove a cumulative total of about $700 million from CalWORKs. Rejection of some of the Administration's proposals will render these transfers unnecessary. Senate Budget Subcommittee #4 has already taken action to eliminate local subvention funding provided by the State to Juvenile Probation, so the proposed transfer of $151.8 million to Juvenile Probation should not be made under the current version of the Senate's budget.

Program Description	Comments
CalWORKs – California Alliance of Boys and Girls Club The May Revision proposes to transfer $5 million in TANF funding to the California Alliance of Boys and Girls Club to fund youth programs emphasizing education, health, safety, leadership, skill development, job readiness, pregnancy prevention, and drug avoidance to youth of all ages. As a result of the transfer, the Boys and Girls Club will report to DSS MOE-eligible program expenditures for FFY 2008 that will be considered as excess MOE funding that can be counted toward the state's caseload reduction credit (CRC) for FFY 2009. Under TANF rules, states that are investing funds in programs serving eligible families, in excess of required MOE levels, may receive a pro rata CRC, which offsets federal work participation requirements.	DSS will enter into a contract with the Boys and Girls Club that specifies the amount of TANF to be transferred and the amount of expenditures that may be counted as MOE. DSS currently estimates that $88 million will be able to be counted. DSS indicates that the Boys and Girls Club will not provide the full $88 million in MOE for less than $5 million, but it is not clear whether the contract will make receipt of the $5 million in TANF funding contingent on approval by the federal government of at least $88 million in countable excess MOE. At least one other state is providing TANF funding to the Boys and Girls Club in exchange for counting MOE, and DSS has received verbal indication that the method for counting MOE that the Boys and Girls Club would use is acceptable. However, this has not been formally confirmed.

Program Description	Comments
CalWORKS – Eliminate Pay-for-Performance Incentive Funding The Administration proposes to eliminate the $40 million in Pay for Performance funding available to counties for 2008-09. As part of the Special Session, the Governor proposed and the Legislature approved eliminating the $40 million in Pay-for-Performance funding for 2007-08. In addition, the Administration proposed trailer bill language to modify the benchmarks counties must meet for receiving Pay-for-Performance funds. The Administration indicates that this trailer bill language is no longer needed with the proposed elimination of funding for 2008-09.	Originally enacted in 2005-06, Pay for Performance is an incentive program to encourage counties to move families receiving CalWORKs toward meaningful and lasting employment. Funds are to be awarded to counties meeting specified performance standards. Funding has never been provided for the Pay for Performance program.

Program Description	Comments
CalWORKs – Single Allocation Reduction The May Revision proposes to reduce the counties' single allocation funding by $20.6 million in 2008-09 and allow counties to backfill the reduction with unspent county performance and fraud recovery incentive funds previously earned and allocated but not spent.	As of the development of the May Revision, the remaining unspent balance of prior year performance and fraud incentive funding is $41.2 million. DSS estimates that 50 percent of this will go unspent by the end of the current year and be available to backfill the proposed cut to the single allocation. The CalWORKs single allocation was reduced by $16 million in 2007-08 and backfilled with unspent performance and fraud recovery incentive funds. The proposal to further cut the single allocation will likely ensure that at least half of the existing balance of unspent funds will go unspent in the current year. Counties are generally hesitant to spend all these funds as they provide a small reserve for the already underfunded single allocation.

Program Description	Comments
CalWORKs – Eliminate the TANF Reserve The May Revision proposes to remove $87.0 million in TANF funding that is set aside for the TANF reserve.	The TANF reserve is available for unanticipated needs in any program for which TANF Block Grant funds are appropriated, including CalWORKs benefits, employment services, county administration, and child care costs. The Administration contends that elimination of the reserve is necessary to offset a shortfall in the TANF block grant resulting from increasing CalWORKs caseload and eroded savings from the Governor's CalWORKs proposals in January. However, the shortfall ultimately results from the Administration's CalWORKs proposals, which reduce CalWORKs funding by $700 million.

Program Description	Comments

In-Home Supportive Services (IHSS) Program

Reduce State Participation in IHSS Wages. The May Revision proposes to reduce state financial participation in IHSS wages and benefits statewide to the current minimum wage of $8.00 per hour plus 60 cents per hour for health benefits. The proposal would result in estimated General Fund savings of $186.6 million.	Currently, the State is required to pay 65 percent of the non-federal costs of IHSS wages up to $12.10 per hour ($11.50 for wages plus an additional $0.60 per hour for individual health benefits) in counties that have an IHSS Public Authority or Non-Profit Consortium. For the counties that have neither a Public Authority nor a Non-Profit Consortium, the law provides for the state to share in the cost of wages only up to the state minimum wage plus 5.31 percent ($8.42 per hour) with no state share in health benefits. For the counties that have a Contract Mode, current statute provides for state participation in the costs up to the maximum allowable contract rate. Currently, 44 counties have IHSS wages above $8.00 per hour.

Program Description	Comments
IHSS Functional Index Change. The May Revision proposes to change the criteria to qualify for domestic and related services, to only those individuals with an overall Functional Index (FI) score of 4 or higher. IHSS services would be discontinued for individuals with a score of 2-3.99. (FI scores below 2 already do not receive services). This proposal would result in estimated savings of $159.3 million ($52.0 million General Fund). FI Scores are set by county social workers, who determine the recipient's level of ability and dependence upon verbal or physical assistance by another for each of the following 14 functions: housework, laundry, shopping and errands, meal preparation and cleanup, mobility inside, bathing and grooming, dressing, bowel and bladder, repositioning, eating, respiration, orientation, and judgment. The individual's ability to perform each function is scored on a scale of 1-5: > Rank 1: Independent: able to perform function without human assistance. > Rank 2: Able to perform a function, but needs verbal assistance, such as reminding, guidance, or encouragement. > Rank 3: Can perform the function with some human assistance, including, but not limited to, direct physical assistance from a provider. > Rank 4: Can perform a function but only with substantial human assistance. > Rank 5: Cannot perform the function, with or without human assistance.	The Administration estimates that 83,000 IHSS recipients would lose an average of 21.6 domestic and related care services hours under this proposal. Overall FI Scores are determined by taking the average of individual function ability scores for completing certain basic functions for living independently. Even though an individual may rank higher than a 4 for some functions, if the overall FI score is below four, then all domestic and related care hours would be eliminated. To illustrate, under this proposal, a recipient would have to be deemed to require, at a minimum, "substantial human assistance" in nearly every evaluated function to average a Rank 4 or higher overall. If a recipient required Rank 4 assistance in every function but respiration, s/he would be ineligible for services under this proposal. DSS states this proposal needs federal Centers for Medicaid and Medicare Services (CMS) review to determine if it is permissible under federal Medicaid rules, and if so, whether a state plan amendment (SPA) would be needed. DSS is still drafting a letter to obtain this clarification. Once this letter is sent, it is expected to take two to three months to hear back from CMS. Therefore, we will not know whether this proposal is viable in time to make decisions for the 2008-09 budget.

Program Description	Comments
Limiting IHSS Share of Cost. The May Revision proposes to limit the State's payment of the difference between the Medi-Cal Share of Cost (SOC) and the IHSS program SOC to recipients with a Functional Index (FI) Score of 4.00 and above. All other recipients would be required to pay their full SOC. This proposal would result in estimated General Fund savings of $27.7 million in 2008-09 (due to the October 1, 2008 implementation date) and $37.0 million in 2009-10 and annually thereafter. Under current law, when an IHSS recipient is determined to have a SOC in the program the State "buys out" or funds the difference between the IHSS SOC and the higher Medi-Cal SOC. The State initiated this buy-out to prevent any negative financial hardship to those recipients with a SOC who were moved to Medi-Cal. The SOC buy-out is also financially beneficial to the State because the State receives federal Medicaid funding for IHSS recipients that were not previously eligible for federal funding.	Currently, there are approximately 8,625 IHSS recipients in the buy-out program for 2008-09. Under this proposal, approximately 7,100 IHSS recipients would be required to pay a new monthly share of cost, averaging $427 out of their own pockets. In their analysis of the May Revision, the LAO notes that this proposal could result in increased requests for reassessments and appeals of individuals' functional rankings. The combination of administrative costs and successful appeals could significantly erode the savings estimated for this proposal. Furthermore, the LAO notes that a recipient's FI Score, which is what is used under this proposal for determining SOC for the recipient, is not related to income. As an alternative, the LAO recommends reducing state participation in the SOC by 50 percent for all IHSS recipients. This would only save an estimated $16.5 million in 2008-09 and $22 million annually, but the savings would not be eroded due to increased administrative costs and appeals. As with the previous proposal related to the functional index, this proposal also needs federal CMS review to determine its viability.